Saskatchewan Transportation Company

Third Quarter Report 2007

2007 3rd Quarter Corporate Reporting

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Management Discussion and Analysis

In this MD&A, STC Management will discuss the results of its Third Quarter operations in 2007, in context of both the corresponding quarter in the previous year and, in general terms, in relation to the anticipated financial position of the company over the full year.

The MD&A will also review any emerging corporate issues which arose in the quarter and will have a significant impact on the corporation's fiscal position.

Passenger Service:

To the end of the third quarter of 2007, STC coaches traveled 2,372,282 miles, serving 278 Saskatchewan communities.

Revenues from passenger services in the quarter were $1,886,000, up from the $1,743,000 in revenues realized by the company in the third quarter of 2006. The revenues for the year to date were $5,532,000, up from $5,358,000 in the first nine months of 2006.

Expenses associated with operating passenger services were $2,267,000, up slightly from the 2006 figure of $2,149,000. Year-to-date passenger operating expenses were $6,746,000, compared to $6,307,000 in the first nine months of 2006.

Operating losses of passenger services in the quarter were $381,000, a decrease from the $406,000 in operating loss experienced by passenger services in the third quarter of 2006. The loss for the first nine months of the year totals $1,214,000, compared to $949,000 for the same time period in 2006.

Actual revenues from passenger service are $56,000 behind projected revenues for the first nine months of 2007.

Express Service:

Through its network of 190 agents in the province and interconnecting arrangements with other carriers, STC hauls freight throughout the province and connects to destinations across North America.

In the third quarter of 2007, revenues from express operations were $1,870,000, up slightly from the revenues of $1,836,000 realized in the third quarter of 2006. Revenues for the first nine months' express operations were $5,084,000, up from the $4,947,000 in revenues for the same period in the previous year.

Express operating expenses during the quarter amounted to $1,280,000, up from the $1,222,000 in expenses for the same period the previous year. Expenses for the first nine months amounted to $3,776,000, compared to $3,518,000 in the first three quarters of 2006.

Overall, profits for freight operations in the third quarter amounted to $590,000 compared to a profit of $614,000 for the third quarter of 2006. Year-to-date profit is $1,308,000, compared to $1,429,000 for the first nine months of 2006.

Revenues for freight operations are slightly below expectations for the quarter. The farming economy, and in particular the wet harvest conditions in parts of the province, has a major impact on this aspect of STC's business.

Maintenance Services:

STC operates a garage in Saskatoon for major bus servicing, and one in Regina for minor bus servicing. In addition, the company uses its facilities to do maintenance work for other bus companies, as well as to store vehicles for other companies.

The expenses for maintenance services in the third quarter of 2007 amounted to $718,000, as compared to $701,000 for the same three-month period in 2006. For the first three quarters, expenses amounted to $2,382,000, compared to $2,198,000 for the first nine months of 2006.

Financial Services:

Overall, STC's revenues for the third quarter of 2007 amounted to $4,072,000, compared to $3,862,000 for the third quarter of 2006. Cumulatively for the first three quarters, revenues amounted to $11,588,000, compared to $11,137,000 in 2006.

Expenses for the third quarter were $5,526,000, compared to $5,223,000 the previous year. Expenses for the first three quarters of 2007 totaled $16,409,000, up from $15,373,000 for the same period in 2006.

The company's loss, before grants, for the quarter was $1,454,000, compared to $1,361,000 for the third quarter of 2006. Losses in the nine months amounted to $4,821,000, compared to $4,236,000 for the same period the previous year.

STC has been approved for an operating grant of $6.0 million from its holding company, the Crown Investments Corporation of Saskatchewan. Current projections for the year, based on the third quarter, indicate that the company will cut its grant request by $1 million. The projected operating grant required for the year is approximately $5.0 million.

In the third quarter, STC drew down $3.75 million of the grant funds available from CIC. STC had no outstanding loans or indebtedness in the quarter.

At the end of the quarter, the Government's equity in STC stood at $10,216,000, compared to $9,873,000 at the same time last year.

Other Issues:

STC has seen a slowing of its growth in passenger count that has been experienced over the past two years. Passenger's use of the service in the third quarter of 2007 was up approximately 9% from the second quarter, but was down approximately 2% from the same quarter for the previous year.

Overall, for the first nine months of 2007, the number of passengers on STC buses was down 2556 over the same time period in 2006, a decrease of approximately 1%.

For the third year, STC introduced a youth summer excursion pass during the second quarter of 2007. The pass was successfully introduced in 2005. Sales of the pass in the third quarter of 2007 were slightly higher than in 2006. The cost of the pass remained at $100.

Work is continuing on the construction of a new passenger and freight terminal and head office facility in Regina. Completion is targeted for late spring of 2008.

Saskatchewan Transportation Company

Statement of Financial Position

(unaudited - thousands of dollars)

	As at Sept. 30, 2007	As at December 31, 2006
Assets		
Current		
Cash	$ 1,144	$ 1,788
Accounts receivable	1,462	1,546
Inventories	367	337
Prepaid expenses	382	162
	3,355	3,833
Property, plant and equipment	30,076	20,501
	$ 33,431	$ 24,334
Liabilities and Province's Equity		
Current		
Accounts payable and accrued liabilities	$ 1,743	$ 3,024
Deferred capital grant	21,472	11,020
Province of Saskatchewan's Equity		
Retained earnings	10,216	10,290
	$ 33,431	$ 24,334

Saskatchewan Transportation Company

Statement of Operations and Retained Earnings

(unaudited - thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Revenue				
Express services	$ 1,970	$ 1,836	$ 5,084	$ 4,947
Passenger services	1,886	1,743	5,532	5,358
Other	312	276	889	824
Gain (loss) on disposal of property, plant and equipmen	4	7	83	8
	4,072	3,862	11,588	11,137
Expenses				
Operating	4,265	4,072	12,904	12,023
Administration	786	697	2,146	2,007
Amortization	475	454	1,359	1,343
	5,526	5,223	16,409	15,373
Loss before the following	(1,454)	(1,361)	(4,821)	(4,236)
Operating Grant	1,750	800	3,750	3,300
Capital Grant	344	336	997	997
Net income (loss)	640	(225)	(74)	61
Retained earnings, beginning of period	9,576	10,098	10,290	9,812
Retained earnings, end of period	$ 10,216	$ 9,873	$ 10,216	$ 9,873

Saskatchewan Transportation Company

Statement of Cash Flows

(unaudited - thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Operating Activities				
Net income (loss)	$ 640	$ (225)	$ (74)	$ 61
Items not involving cash:				
Amortization	475	454	1,359	1,343
Loss (gain) on disposal of property, plant and equipmen	(4)	(7)	(83)	(8)
Recognition of capital grant	(344)	(336)	(997)	(997)
Net change in non-cash working capita	22	(62)	(1,448)	(660)
Cash provided by (used in) operating activities	789	(176)	(1,243)	(261)
Investing Activities				
Additions to property, plant and equipmen	(4,492)	(1,235)	(10,990)	(2,293)
Proceeds on disposal of property, plant and equipmen	12	16	139	83
Cash used in investing activities	(4,480)	(1,219)	(10,851)	(2,210)
Financing Activities				
Capital grant received	4,750	1,600	11,450	2,100
Cash used in financing activities	4,750	1,600	11,450	2,100
Increase (Decrease) in cash	1,059	205	(644)	(371)
Cash, beginning of period	85	581	1,788	1,157
Cash, end of period	$ 1,144	$ 786	$ 1,144	$ 786

1. Basis of Presentation and Significant Accounting Policies

The interim financial statements of the Saskatchewan Transportation Company (the Company) have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in the notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual report for the year ended December 31, 2006.

These financial statements have been prepared following the same accounting principles as the financial statements for the fiscal year ended December 31, 2006.

2. Seasonal Nature of Express Revenues

Historically, STC's express service tends to be seasonal with the first quarter being slightly lower and the fourth quarter being slightly higher than the second and third quarters. This is due to the absence of significant agricultural activity in the first quarter and the increase in holiday shipping in the fourth quarter of the year.